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# AUSTRALASIAN RAILWAY ASSOCIATION SUBMISSION

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To the

Senate Rural and Regional Affairs and Transport Reference  
Committee

On the

Management of the Inland Rail Project by the Australian Rail  
Track Corporation and the Commonwealth Government

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## THE ARA

The Australasian Railway Association (ARA) is a not-for-profit member-based association that represents rail throughout Australia and New Zealand. Our members include rail operators, track owners and managers, manufacturers, construction companies and other firms contributing to the rail sector. We contribute to the development of industry and government policies in an effort to ensure Australia's passenger and freight transport systems are well represented and will continue to provide improved services for Australia's growing population.

The ARA thanks the Senate Committee for the opportunity to provide this submission.

This submission has been developed in consultation with the ARA's Freight Rail and Ports Group which is comprised of a representatives from the following ARA members:

Roy Hill	VicTrack	Port of Melbourne	Sydney Trains
GHD	GWA	SALTA	Arc Infrastructure
KiwiRail	Port of Brisbane	TasRail	Queensland Rail
ARTC	Manildra	NSW Ports	Rio Tinto
Pacific National			

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## EXECUTIVE SUMMARY

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Inland Rail is an important project that needs to be completed in the national interest.

It will provide an essential increase in capacity of the national freight network and become the backbone of the national freight supply chain. It will increase national productivity, increase employment, boost the national and regional economies along its corridor, enhancing freight markets for the next century and beyond.

The Inland Rail project is not at a formative stage. It has been at least 15 years in the making, is at an advanced stage of planning, and construction commenced a year ago.

On 20 November 2019 the Queensland and Australian Governments announced they had reached agreement in regards to Inland Rail. This means that all three state governments along the rail route are now working with the Australian Rail Track Corporation (ARTC) to deliver the project.

The ARTC employs hundreds of people on the project. Infrastructure businesses, state governments and councils are already making significant investments on the assumption the project will proceed as planned.

ARA endorses the ARTC's administration of the project. The professionalism, expertise and acumen about rail infrastructure is highly regarded within the rail industry. Its role as the operator of the Interstate railway network is an important advantage for our freight operator members. This has been successfully translated into the successful management of what is a highly complex Inland Rail project to date, notwithstanding the opportunity for all major projects to continue to improve in the way they are delivered.

This submission is divided into five sections:

Section 1 outlines why the project needs certainty so that businesses and governments can make the vital long-term business decisions needed for the project to succeed.

Section 2 outlines the various ways Inland Rail benefits Australia – economic, the various benefits associated with the modal shift from road to rail, and how the project will assist deal with skill shortages in the rail sector.

Section 3 outlines matters pertaining to the National Freight and Supply Chain Strategy, and modal neutrality.

Section 4 is the ARA Conclusion, and

Section 5 contains recommendations for the Committee to consider.

## 1 Inland Rail and Nation-Building - The Need for Certainty

Governments have a critical role in ensuring significant infrastructure projects are enabled via effective planning, funding and regulatory frameworks.

While progress has been made in areas of developing independence in the area of infrastructure advice (through advisory bodies such as Infrastructure Australia and respective state counterparts) it is crucial that nationally significant infrastructure decision-making and delivery does not fall victim to the day-to-day competitive nature of party politics, or suffer from changes of government or politically motivated 'changes-of-heart'.

The Inland Rail project is an example of a project that has gone through an extensive planning, route analysis, engineering and budget development and costing process over 15 years.

It experiences largely bipartisan support, but the very challenge of it being a large, geographically vast and complex project, traversing 1,700km, consisting of 13 individual projects crossing three states and 38 local government jurisdictions naturally means it is a politically difficult project to deliver.

Inland Rail is unique in Australia in the sheer geographic scale that it covers and its vast and complex stakeholder interface.

As Australia's infrastructure pipeline increases in coming years and as Governments grapple to respond to growing freight and population demands, there are concerns about the uncertainty that additional political processes can introduce to essential infrastructure projects.

There are – quite appropriately – essential safeguards and reviews built into project planning and development arrangements at local, state and federal levels for Major Projects; but it is important that project proponents have certainty regarding the clear start and end point for decision making that can impact project delivery. Despite the many years of project development and assessment behind Inland Rail, this Senate Inquiry process is illustrative of the political dynamics an infrastructure project of this scale can face.

ARA is respectful of the important role the Senate plays as a House of review and in ensuring the instruments of Government best serve the needs of the people.

With this in mind, ARA encourage the Senate Committee to utilise the Inquiry Terms of Reference to also explore and consider what, and how, the Australian Government can do more to facilitate the effective delivery of productive infrastructure, particularly for large projects such as Inland Rail that have gone through exhaustive, multi-year planning and development stages.

## Investment Confidence

Many ARA members are active investors, managers and owners of railway assets, rolling stock and complementary infrastructure, such as intermodal terminals, distribution centres, handling facilities and sidings.

Complementary and supporting infrastructure is essential to enable Inland Rail to realise its full potential and enable the Australian economy, national supply chain and regional communities to reap the maximum benefit of the project.

Political risk is recognised and assessed as a major challenge facing successful infrastructure investment in Australia. As an example, survey findings undertaken by Infrastructure Partnerships Australia<sup>1</sup> recognised that while Australia is recognised as a leading infrastructure investment market, it identified uncertainty in Australia's policy and regulatory settings is limiting willingness to invest. 84 per cent of respondents highlighted this as a concern in the Australian Infrastructure Investment Report. Infrastructure Australia also notes this research<sup>2</sup> in its *2019 Infrastructure Audit* released this year.

Investment in complementary infrastructure requires certainty around route selection, freight precincts and delivery schedules. Logistics companies and major freight owners need to make commitments looking forward over five to ten year horizons. Any changes to existing plans, routes or the service offering to the Inland Rail project will impact these decisions.

Several businesses that own or manage infrastructure that directly connects to the Inland Rail network are considering future investments that will connect and help deliver the full potential of the project. This investment creates employment within regional Australia and outer-urban centres: locations that typically have lower employment participation levels than our major capital cities. They include:

### *Case Study 1 - Pacific National Invested \$35 million into its Parkes Logistics Terminal*

Pacific National engaged around 20 local and regional businesses to build its terminal, which opened in November 2019, including earthwork, electrical, plumbing, landscaping, water cart and catering contractors. Eighty jobs were created during construction, and ninety employees will be based at the terminal including locomotive drivers and train crews, forklift drivers and administration staff. CEO Dean Dalla Valle, said the project gave the company great confidence to establish the Parkes terminal and has described Inland Rail as an 'economic flywheel' for regional Australia, helping to stimulate private investment. The company is considering further complementary investment via the establishment of a freight hub at St Marys, Western Sydney.

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<sup>1</sup> Australian Infrastructure Investment Report (2018) <https://infrastructure.org.au/wp-content/uploads/2018/10/Australian-Infrastructure-Investment-Report-2018.pdf>

<sup>2</sup> <https://www.infrastructureaustralia.gov.au/sites/default/files/2019-08/Australian%20Infrastructure%20Audit%202019.pdf>

*Case Study 2 - Qube Logistics Acquisition of an Option to Buy 1,100 Hectares of Land at Beveridge, Victoria*

The site is one of two being considered by the Victorian government for an inland intermodal terminal around the Port of Melbourne (the other being Truganina).

Qube see the potential efforts of interstate freight moving by rail to the north of Melbourne, and then being distributed around Melbourne through the outer ring road system. CEO Maurice James said that the Inland Rail project could be a catalyst for not just one of these developments, but both the Beveridge and the western option.<sup>3</sup>

*Case Study 3 - SCT Wodonga Intermodal Estate (Barnawartha)*

SCT has invested in an \$18 million Wodonga terminal on the site of the existing Interstate railway network that will form part of the Inland Rail route supporting more than 200 jobs and offering domestic and interstate rail line haul services, import and export container handling, future warehousing and property solutions to regional producers and manufacturers.

Noting the Inland Rail project has been subject of extensive study, business case development and evaluation, ARA is concerned that this Inquiry could lead to further uncertainty around the project, which Australia simply cannot afford.

## The Competitiveness of Freight Rail

Freight Rail businesses operate in an environment of significant competitive pressure. While the ARA supports a competitive business framework, freight rail has been adversely impacted by a combinations of fiscal and regulatory decisions by government, supported by advocacy from the heavy vehicle lobby that provide an economic playing field that is far from level.

Many years of under-investment in rail freight infrastructure by governments have left freight rail operators sharing infrastructure with urban passenger services, meaning longer and slower routes adversely impacting their productive capacity.

By contrast, heavy vehicles have benefited from significant and sustained levels of road investment that has seen the majority of East Coast major arterial routes upgraded and duplicated, many towns bypassed, and interchange facilities funded by state and the Commonwealth Governments.

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<sup>3</sup> <https://www.railexpress.com.au/road-to-rail-becoming-reality-at-moorebank-logistics-park/>

This has enhanced the economic competitiveness of heavy vehicles, and assisted by the heavy vehicle 'productivity' agenda that has seen the progressive approval of larger trucks being able to access more roads on which to operate.

Despite this, heavy vehicle cost recovery for road construction and maintenance remains under-recovered. At the Transport and Infrastructure Council meeting on 22 November, it was agreed to increase those charges by 2.5% pa for 2020-21 and 2021-22 despite advice from the National Transport Commission that heavy vehicles are currently under-recovered by 11.4%. This is discussed in more detail in Section 3.

In this context for rail freight operators, Inland Rail is essential infrastructure that helps level the playing field. This is discussed in more detail in Section 2.

ARA recommends this Committee consider the barriers faced by the rail industry to get more freight on to rail and the inequity between major road and rail projects in the context of public investment and cost recovery, would serve the national interest.

## 2 The Benefits of Inland Rail

Inland Rail is a 1,700km freight rail line directly connecting Melbourne and Brisbane, via Toowoomba, Parkes and Albury, bypassing the heavily congested Sydney network.

Built on existing regional and rural rail connections, the route will utilise approximately 1,100km of upgraded existing track and 600km of new track in Queensland, NSW and Victoria. This approach also facilitates the immediate interconnectivity and potential expansion of these existing networks and infrastructure. Given that regional communities have historically grown around the rail network, this would further support and bring life to those existing areas.

The use of the existing track (or gazetted corridors) for approximately 70% of the line, whilst still delivering on the Service Offering identified, is a pragmatic decision. It maximises use of existing track infrastructure and gazetted transport corridors, providing a high level of certainty for regional communities. This is both cost effective and prudent.

### Improving Australia's Freight Network

Similarly, Australia's growing population requires an increased allocation of goods, adding pressure on our freight networks to deliver. With a growing population and trade demands, comes a growing need to move more freight.

According to the National Freight & Supply Chain Strategy Australia's freight task is growing and changing. The volume of freight carried is expected to grow by over 35 per cent between 2018 and 2040, an increase of 270 billion tonnes (bringing the total volume moved to just over 1000 billion tonnes).

According to the National Transport Commission, the domestic freight task increased 50% in the 10 years to 2016 and is forecast to grow another 26% by 2026. Container movements through Australia's ports are projected to grow by 165% by 2031.

Rail freight provides a cost-effective, safe and environmentally sound solution for reducing congestion from heavy vehicles on urban, regional and interstate roads. Rail freight, as part of a supply chain will need to play a greater role in the future to meet Australia's freight task and to maintain our international competitiveness.

Inland Rail is an essential part of that solution. It will improve the speed, efficiency and reliability of rail freight, with a transit time of under 24 hours. This essential service offering was developed in consultation with industry and is a critical element for our members to compete and transfer freight from road to rail.

Currently, the only rail freight line connecting Melbourne to Brisbane travels through Sydney. This route has a number of obstacles that impede efficient operations: it is longer than the road alternative, track curvature lowers average train speed, tunnels prevent double stacking and the

line is shared with urban passenger services. Freight train services are also impeded by growing passenger train demands on the shared rail network through the North of Sydney, particularly during morning and evening peak periods.

Consequently 74 per cent of all inter-capital freight between Brisbane and Melbourne is carried by road.

With Australia's freight volumes expected to double within 20 years, enhancements to Australia's freight network are essential to allow for the movement of more goods throughout the country and to ports.

Inland Rail will be an essential part of the freight supply chain. It will deliver a competitive rail service, increase national productivity and boost the regional economies along the Inland Rail corridor serving the freight market for the next century and beyond.

Not only will it deliver a freight service between Melbourne and Brisbane that is cost-competitive with road, it will also lower transit times, reduce emissions and improve the reliability of freight transport. Its construction will deliver significant flow-on benefits, such as regional employment and opportunities for the construction industry.

When completed, Inland Rail will provide a strategic infrastructure corridor for eastern Australia, creating the opportunity to optimise development of local and regional road and rail links by state and local governments.

Inland Rail will not just deliver benefits to those businesses wanting to transport freight between Melbourne and Brisbane. Due to its intersection with the main East-West line at Parkes NSW, a major inter-modal hub, it will also provide access to the ports of Port Kembla, Botany, Newcastle Adelaide and Perth.

Regional businesses and farmers will be able to take advantage of new opportunities for export growth and get their produce to market when and where it is required at a better price. Supply chain costs are a significant component of the price consumers pay for goods with up to 10 per cent of the final cost coming from transportation costs.

Australia's exposure to severe weather events such as bushfires, flooding and tropical storms also demonstrate the need to build additional resiliency into the national freight and supply chain. As a simple comparison, the national road network between Melbourne and Brisbane is serviced by multiple routes including the Hume, Newell and Pacific Highways. Inland Rail brings essential additional freight capacity and redundancy to the existing Coastal railway network in NSW.

## The Economy, Employment and Fiscal Stimulus

Inland Rail will increase gross domestic product (GDP) by \$16 billion over the 10-year delivery period, and the first 50 years of operation.

It will create 16,000 jobs at the peak of construction, and 700 ongoing jobs once it is operational.

Reserve Bank Governor Phil Lowe and a number other economists have made repeated calls called for increased infrastructure investment, and out year investment to be brought forward to stimulate a slowing economy.

Inland Rail has commenced its construction phase and is employing Australians and stimulating the economy right now. And it will deliver economic benefit over its lifetime beyond the immediate stimulatory impact of its construction phase. Much of this investment is in regional Australia locations – areas not experiencing the benefits of the current infrastructure boom.

By increasing freight options to businesses, and a more efficient freight rail service, Inland Rail will lead to reduce transport costs for producers and other shippers. The 2015 Business Case Rail predicted that costs for inter-city capital freight between Melbourne and Brisbane would reduce by \$10 per tonne.

## Modal Shift- The Right Mode for the Right Load

ARA has long advocated that well planned and executed rail, working together with road and other transport options provide Australia with the right multi-modal solutions as part of efficient supply chains.

Inland rail will facilitate modal shift, allowing a rebalancing of some long distance freight from road back to rail.

Once Inland Rail is operational, road and rail will complement each other, both playing to their strengths, with rail taking over more of the heavy long-haul freight movement.

A typical 1,800 metre, double stacked Inland Rail train will have the capacity to carry up to the same volume of freight as 110 B-Double trucks, making Inland Rail an ideal option to move heavy and bulk goods over long distances.

It is estimated that Inland Rail will take 200,000 trucks off our roads per annum from 2050<sup>4</sup>.

## Carbon Emissions

Transport is the third largest source of Australia's greenhouse emissions, representing around 17% of total.

Research undertaken for the ARA shows that carbon emissions are 40% higher for road than rail for each kilometre.<sup>5</sup> A similar finding was made in the 2015 Inland Rail Business Case. By encouraging more freight onto rail and reducing 200,000 truck movements, Inland Rail could lead to the reduction of 750,000 tonnes of emissions.

## Road Congestion and Safety

The Business case estimated that the reduction of 200,000 trucks would reduce congestion on roads and on the Sydney rail network, equating to \$737 m in reduced congestion costs. Given the large numbers of trucks already traversing the east coast highways, without Inland Rail, freight increases will inevitably lead to even more trucks and more congestion.

Each year, a high number of road crashes lead to pain and grief for victims and their families. There are large costs associated with medical care, support services and emergency services and loss of productivity. Research undertaken for the ARA found that road travel causes almost eight times more accident costs per kilometre than rail<sup>6</sup>. Accidents causing death or serious injury are nearly three times more likely in comparison to rail.

In 2017, 216 people died in Australia from 196 fatal crashes involving heavy vehicles, from a total of 1,255 total road fatalities<sup>7</sup>.

The reduction of trucks on our roads caused by Inland Rail will reduce accidents, leading to less deaths and injuries. The 2015 Business case found there would be 15 fewer serious crashes, avoiding fatalities and injuries on road routes that would benefit from less trucks due to Inland Rail.

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<sup>4</sup> ARTC, 2015 Inland Rail Business Case

<sup>5</sup> Value of Rail, Deloitte Access Economics, November 2017, p iv

<sup>6</sup> Value of Rail, Deloitte Access Economics, November 2017, p iv

<sup>7</sup> Road Trauma Involving Heavy Vehicles – Annual Summaries [www.bite.gov.au/publications](http://www.bite.gov.au/publications) accessed 22/11/2-19

## Inland Rail and Rail Skills Shortages

In November 2018 ARA published a report undertaken by BIS Oxford Economics that analysed the rail construction, operations and maintenance workforce in light of the significant pipeline of new rail projects underway or planned in most capital cities over the next 10 years. The report found that if left unaddressed, skilled labour shortages would impede the ability of government deliver the projects in budget and on time. The report made 41 recommendations for reform directed at government and industry.

In response on 21 November 2019 Ministers in the Transport and Infrastructure Council agreed to a National Rail Action Plan covering skills and workforce issues and harmonisation of standards. The Plan focuses on actions to meet the rail sector's critical skills and labour needs and to identify opportunities to improve the efficiency and safety of Australia's rail system by continuing to align or harmonise operating rules, infrastructure and operational standards and systems across the nation's rail network.

In its own industry led response in August 2019 the Australian Rail Track Corporation (ARTC) launched an Inland Rail Skills Academy aimed at creating training, education and employment opportunities for communities along the alignment across Victoria, New South Wales and Queensland.

The Academy will partner with other expert organisations to deliver undergraduate scholarships, made available through universities to support local students to study in industries contributing to their region's prosperity and social cohesion; Science, Technology, Engineering and Maths (STEM) Education, through primary and secondary schools allowing students to participate in a series of hands-on workshops which aim to inspire learning in STEM and interest in careers; and enabling ARTC employees to upgrade their skills and qualifications to deliver Inland Rail.

ARA and the ARTC signed a Memorandum of Understanding to combine expertise to address skilled labour shortages in rail construction, operations and maintenance. A key objective of the MOU will be to develop programs that offer apprenticeships and traineeships in rail related disciplines in regions along the alignment.

Given the length of the project, expected to continue at least until 2025, Inland Rail provides an opportunity to engage in some long term programs to assist develop skills needed in the rail sector.

This initiative will provide key learnings for similar programs being considered by ARA members.

### 3 National Freight and Supply Chain Strategy

Inland Rail is a key project that features throughout the National Freight and Supply Chain Strategy and National Action Plan which was endorsed by the Transport and Infrastructure Council in August 2019. The strategy sets an agenda for coordinated and well planned government and industry action across all freight modes over the next 20 years and the National Action Plan details key actions to be delivered by governments to achieve the strategy.

Key to the project is the necessity for the Inland Rail line to connect with vital intermodal freight hubs and ports. Efficient connectivity to the Ports of Brisbane and Melbourne will maximise the economic benefits.

The Inland Rail business plan has the line terminating at Acacia Ridge in Brisbane. While there is an existing line that continues to the Port of Brisbane, is shared with passenger rail services and is sub-optimal to maximise the benefits of Inland Rail. A report undertaken by Deloitte Access Economics for the Port of Brisbane<sup>8</sup> found a strong case for a dedicated freight line. The Queensland and Australian Governments are finalising a Strategic Asset Study to consider enhanced rail connections to the Port. On 20 November 2019 the Australian Government committed \$20 m for a planning study to develop a business case for a dedicated freight line.

The National Freight & Supply Chain Strategy and Victorian Freight Plan (*Delivering the Goods*) also recognise the need for an intermodal terminal solution in Victoria (and complementary Port shuttle connections) to ensure the full benefits of Inland Rail are realised.

At present, interstate containers bound for distribution in Melbourne are railed to terminals at Dynon, next to the Port of Melbourne, and then trucked to the outer suburbs. The Dynon terminals have limited space and capacity and can be difficult to access.

A decision on an intermodal terminal (or terminals) in outer Melbourne capable of managing the receipt and freight transfer of double stacked container trains is essential to ensuring the maximum productivity benefits are derived from the Inland Rail project.

A key priority is the development of Intermodal terminals in Brisbane and Melbourne that have the capability of efficiently managing the size and capability of trains operating the line. Governments need to consider and come to agreements on the location and arrangements of these terminals.

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<sup>8</sup> <https://www.portbris.com.au/Media/News/Dedicated-Port-rail-connection-to-take-millions-of/>

Connectivity to new and upgrade intermodal terminals along the route will be key to its success. There are a number of proposals for intermodal terminals that are or have been being developed, including in Parkes, Toowoomba, Moree, Narrabri and Wodonga.

Additionally a number of Councils along the route are now developing initiatives to enhance existing intermodal terminals and road connectivity.

## Modal Neutrality

The sizeable investment and commitment to the Inland Rail project by the Australian Government should be highly commended. In order to maximise the benefits of this investment it also important that related policy drivers are reviewed and considered to ensure there is maximum productivity and economic efficiency across the supply chain and transport networks.

The National Freight and Supply Chain Strategy recognises better linking infrastructure provision to its use through pricing and investment reforms will promote the use of the most appropriate mode for a given freight task.

Whilst acknowledging the intrinsic differences between modal choices in the movement of goods, the ARA notes domestic freight markets should operate as far as possible on a level footing by having either an equitable and comparable regulatory environment; and competitive neutrality between competing modes of transport.

Policy and regulatory neutrality is particularly important when considering infrastructure pricing for road and rail freight. The road and rail infrastructure charges for these two freight modes are determined and paid for via two very different mechanisms;

Road freight is charged for road infrastructure via heavy vehicle registration charges and fuel excise.

Rail freight is charged for freight rail infrastructure via rail freight access charges (either regulated or commercially negotiated) based on the cost of funding, maintaining and operating the rail freight infrastructure.

One of the clear and obvious benefits of ARTC delivering the Inland Rail project is the direct correlation between ARTC investment and return to the taxpayer of its investment. Additionally, and unlike road infrastructure, there is also a clear and recognised funding framework the wholly covers the ongoing operational maintenance and other overhead demands of the network with the Inland Rail project expected to generate positive cashflows to cover operating and maintenance costs from Day One of operations.

In delivering wider social, environmental and economic benefits Inland Rail is demonstrative of the underlying case for rail that supports the case for competitive neutrality in pricing.

## 4 Conclusion

The Inquiry into Inland Rail presents a very real opportunity for the Committee to look beyond localised concerns regarding the project and consider the impediments to rail freight and the delivery of productive, nationally important freight infrastructure.

As identified in the National Freight and Supply Chain Strategy, community acceptance of freight operations is not a concern unique to the Inland Rail project, rather it is a fundamental issue faced by all levels of government and industry.

As Australia's population grows and freight demand grows with it, these intersections between community concern and delivery of essential infrastructure will only become more pronounced. This requires a shared commitment by governments, industry and the wider community in response and a consideration of the appropriate balance between managing legitimate community concern and the delivery of projects that benefit wider society.

If that balance is not achieved, it can only lead to greater congestion, increased costs and inefficiency in the supply chain and other negative societal impacts such as greater carbon emissions and poorer road safety outcomes.

## 5 Recommendations

The ARA recommends the Committee uses the Inquiry process to address the following:

1. Identifies opportunities to reduce the barriers facing the delivery of nationally significant infrastructure projects such as Inland Rail.
2. Identifies opportunities to support expediting sections of the project to bring forward the delivery of productive infrastructure for the benefit of communities and industry.
3. Provide certainty and clarity for industry regarding route alignment and planning processes to ensure complementary investment decisions can be made as soon as possible.
4. Address policy disparity between road and rail pricing and infrastructure investment in order to ensure the business case for Inland Rail is realised to the fullest extent possible and without policy impediments.
5. Support initiatives such as the Inland Rail Academy and consider opportunities to build on the learnings of such programs that can be replicated in the wider rail industry to address significant skills and talent shortages in the rail sector.
6. Address future capacity and interconnectivity needs to the Inland Rail project including both future dedicated Port of Brisbane rail freight connectivity and an Intermodal Terminal solution in Victoria.